

**REPORT OF THE AUDIT OF THE
GALLATIN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
GALLATIN COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Gallatin County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Gallatin County, Kentucky.

Financial Condition:

The Gallatin County Fiscal Court had total receipts of \$5,393,915 and disbursements of \$6,145,101 in fiscal year 2014. This resulted in a total ending fund balance of \$1,971,711, which is a decrease of 607,587 from the prior year.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Kenneth McFarland, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Gallatin County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in more fully in Note 1, the financial statement is prepared by Gallatin County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Gallatin County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Gallatin County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Gallatin County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules and capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

To the People of Kentucky
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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 7, 2015 on our consideration of Gallatin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", written in a cursive style.

Adam H. Edelen
Auditor of Public Accounts

July 7, 2015

GALLATIN COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

Kenneth McFarland	County Judge/Executive
Dudley Gullion	Magistrate
Joe Shinkle	Magistrate
Jeff Wallace	Magistrate
Eric Moore	Magistrate

Other Elected Officials:

John G. Wright	County Attorney
Jerry Webb	Jailer
Tracy Miles	County Clerk
Josh Neale	Sheriff
Ruth Middleton	Property Valuation Administrator
Sue Legrand	Coroner
Joe Mylor	Surveyor
Pam McIntyre	Circuit Court Clerk

Appointed Personnel:

Winslow Baker	Planning & Zoning Administrator
Lesa Bullard	County Treasurer
Lesa Bullard	Occupational Tax Administrator
Jenni Hill	Finance Officer
Jenni Hill	Personnel/Payroll Officer
Mike Satchwell	Road Supervisor
Chris Curtis	911 Administrator
Bobby Nunn	Dog Warden

GALLATIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

GALLATIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,730,185	\$	\$
In Lieu Tax Payments	498,263		
Excess Fees	177,682		
Licenses and Permits	72,835		
Intergovernmental	345,054	781,843	98,700
Charges for Services	17,066	5,152	6,402
Miscellaneous	54,239	89,984	13
Interest	701	2,074	
Total Receipts	<u>2,896,025</u>	<u>879,053</u>	<u>105,115</u>
DISBURSEMENTS			
General Government	1,063,163		
Protection to Persons and Property	159,484		373,388
General Health and Sanitation	64,041		
Social Services	48,261		
Recreation and Culture	7,000		
Roads		810,878	
Debt Service	346,275	81,294	
Capital Projects	371,451	350,520	
Administration	868,730	68,500	22,407
Total Disbursements	<u>2,928,405</u>	<u>1,311,192</u>	<u>395,795</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(32,380)</u>	<u>(432,139)</u>	<u>(290,680)</u>
Other Adjustments to Cash (Uses)			
Lease Proceeds	30,208	98,200	
Transfers From Other Funds	82,878		276,000
Transfers To Other Funds	(400,145)	(82,878)	
Total Other Adjustments to Cash (Uses)	<u>(287,059)</u>	<u>15,322</u>	<u>276,000</u>
Net Change in Fund Balance	(319,439)	(416,817)	(14,680)
Fund Balance - Beginning	666,198	1,015,364	28,527
Fund Balance - Ending	<u>\$ 346,759</u>	<u>\$ 598,547</u>	<u>\$ 13,847</u>
Composition of Fund Balance			
Bank Balance	\$ 319,723	\$ 415,547	\$ 13,847
Less: Outstanding Checks	(131,824)	(200)	
Certificate of Deposits	158,860	183,200	
Fund Balance - Ending	<u>\$ 346,759</u>	<u>\$ 598,547</u>	<u>\$ 13,847</u>

The accompanying notes are an integral part of the financial statement.

GALLATIN COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND BALANCES - REGULATORY BASIS
 For The Year Ended June 30, 2014
 (Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	State Grant Fund	Ambulance Fund	Economic Assistance Fund	911 Fund	911 Wireless Fund
\$	\$	\$	\$	\$	\$
				47,454	
176,006	17,584				103,452
		1,081,127			
11,718		12,513		1,007	
71		284	1,075	5	5
187,795	17,584	1,093,924	1,075	48,466	103,457
4,145			3,362		
		924,565		231,795	3,757
1,920	1,650				
8,153					
110,184					
59,812					
	15,934				
5,114		83,521		30,510	
189,328	17,584	1,008,086	3,362	262,305	3,757
(1,533)		85,838	(2,287)	(213,839)	99,700
				15,191	
		10,000		193,145	
					(79,000)
		10,000		208,336	(79,000)
(1,533)		95,838	(2,287)	(5,503)	20,700
162,735	23	194,544	228,908	12,371	3,046
\$ 161,202	\$ 23	\$ 290,382	\$ 226,621	\$ 6,868	\$ 23,746
\$ 165,375	\$ 23	\$ 228,711	\$ 226,621	\$ 7,571	\$ 23,746
(4,173)		(3,781)		(703)	
		65,452			
\$ 161,202	\$ 23	\$ 290,382	\$ 226,621	\$ 6,868	\$ 23,746

The accompanying notes are an integral part of the financial statement.

GALLATIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>	
<u>Tourism Fund</u>	<u>AOC Fund</u>	<u>Courthouse Renovation Fund</u>	<u>Total Funds</u>
\$ 34,935	\$	\$	\$ 1,730,185
			580,652
			177,682
			72,835
	24,197		1,546,836
			1,109,747
1,330	4		170,808
26	927	2	5,170
<u>36,291</u>	<u>25,128</u>	<u>2</u>	<u>5,393,915</u>
	1,020		1,071,690
			1,692,989
			67,611
			56,414
24,267			141,451
			810,878
			487,381
			737,905
			<u>1,078,782</u>
<u>24,267</u>	<u>1,020</u>		<u>6,145,101</u>
<u>12,024</u>	<u>24,108</u>	<u>2</u>	<u>(751,186)</u>
			143,599
			562,023
			<u>(562,023)</u>
			<u>143,599</u>
12,024	24,108	2	(607,587)
56,701	184,803	26,078	2,579,298
<u>\$ 68,725</u>	<u>\$ 208,911</u>	<u>\$ 26,080</u>	<u>\$ 1,971,711</u>
\$ 71,725	\$ 208,911	\$ 26,080	\$ 1,707,880
(3,000)			(143,681)
			<u>407,512</u>
<u>\$ 68,725</u>	<u>\$ 208,911</u>	<u>\$ 26,080</u>	<u>\$ 1,971,711</u>

The accompanying notes are an integral part of the financial statement.

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GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Gallatin County includes all budgeted and unbudgeted funds under the control of the Gallatin County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Grant Fund - The primary purpose of this fund is to account for grant monies received from both state and federal agencies. The funds may be used for completing major projects or specific operating expenses.

Ambulance Fund - The primary purpose of this fund is to account for ambulance services provided to the residents of Gallatin County. The primary source of receipts comes from ambulance services.

Economic Assistance Fund - The primary purpose of this fund is a result of repayment of grant proceeds due to a company not meeting grant requirements. The Cabinet for Economic Development requires these funds to be used for economic development purposes that have prior approval of the Cabinet.

911 Fund - The purpose of this fund is to account for Emergency 911 receipts and disbursements. The sole source of receipts for this fund is telephone tax.

911 Wireless Fund - The purpose of this fund is to account for wireless 911 cellular receipts and disbursements. The sole source of receipts for this fund is 911 wireless receipts.

Tourism Fund - The purpose of this fund is to account for tourism related expenses. The main source of receipts is a transient room tax.

AOC Fund - The purpose of this fund is to account for courthouse related expenses. The sole source of receipts is the Administrative Office of the Courts.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

The Courthouse Renovation Fund - The primary purpose of this fund is to account for the financial resources to be used for the acquisition or construction of major capital facilities.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The State Local Finance Officer does not require the Courthouse Renovation Fund to be budgeted. The Courthouse Renovations Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

E. Gallatin County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Gallatin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Gallatin County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General	Road	911 Wireless	Total
	Fund	Fund	Fund	Transfers In
General Fund	\$	\$ 82,878	\$	\$ 82,878
Jail Fund	276,000			276,000
Ambulance Fund	10,000			10,000
911 Fund	114,145		79,000	193,145
Total Transfers Out	\$ 400,145	\$ 82,878	\$ 79,000	\$ 562,023

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Long-term Debt

A. Mars Road

On May 27, 2004, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$370,000 at a variable interest rate in order to finance the improvements of Mars Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Mars Road. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2029.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

A. Mars Road (Continued)

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 10,000	\$ 15,047	\$ 25,047
2016	15,000	9,441	24,441
2017	15,000	8,795	23,795
2018	15,000	8,162	23,162
2019	15,000	7,520	22,520
2020-2024	75,000	33,095	108,095
2025-2029	105,911	14,637	120,548
Totals	<u>\$ 250,911</u>	<u>\$ 96,697</u>	<u>\$ 347,608</u>

B. Sugar Bay Road

On May 27, 2004, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$160,000 at a variable interest rate in order to finance the improvements of Sugar Bay Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Sugar Bay Road. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2029.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 5,000	\$ 3,225	\$ 8,225
2016	5,000	3,022	8,022
2017	5,000	2,807	7,807
2018	5,000	2,596	7,596
2019	5,000	2,382	7,382
2020-2024	25,000	8,766	33,766
2025-2028	32,098	7,087	39,185
Totals	<u>\$ 82,098</u>	<u>\$ 29,885</u>	<u>\$ 111,983</u>

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

C. Land-County Park and Fairgrounds

On September 15, 2005, Gallatin County entered into a twenty-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$820,000 at a variable interest rate in order to finance the acquisition of 155 acres of land for a county park and fairgrounds. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on January 20, 2026.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 35,000	\$ 23,325	\$ 58,325
2016	35,000	21,870	56,870
2017	40,000	20,289	60,289
2018	40,000	18,613	58,613
2019	45,000	16,832	61,832
2020-2024	260,000	53,660	313,660
2025-2029	103,213	3,806	107,019
Totals	<u>\$ 558,213</u>	<u>\$ 158,395</u>	<u>\$ 716,608</u>

D. Courthouse Renovations

On June 30, 2006, Gallatin County entered into a twenty-one year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$2,498,784 in order to finance the renovations of the Gallatin County Courthouse. The Courthouse will be subleased to the Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky for use as court facilities. Under the sublease agreement, the financing obligation payments of the County are to be paid directly to the Trustee by AOC and the Fiscal Court is obligated to provide operation, maintenance, insurance and repair of the project. Interest is paid on a monthly basis and principal payments are paid on a semi-annual basis until termination of the lease on November 20, 2026. The rate in the lease was fixed at 4.49% through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the Fiscal Court through additional future rentals.

Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

D. Courthouse Renovations (Continued)

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 105,198	\$ 93,802	\$ 199,000
2016	110,460	88,540	199,000
2017	116,427	82,573	199,000
2018	122,568	76,432	199,000
2019	129,140	69,860	199,000
2020-2024	754,644	240,356	995,000
2025-2027	558,659	38,341	597,000
Totals	<u>\$ 1,897,096</u>	<u>\$ 689,904</u>	<u>\$ 2,587,000</u>

On June 28, 2007, Gallatin County entered into a twenty year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$375,808 in order to further finance the renovations of the Gallatin County Courthouse. As above, the Courthouse will be subleased to the Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky for use as court facilities. Under the sublease agreement, the financing obligation payments of the County are to be paid directly to the Trustee by AOC and the Fiscal Court is obligated to provide operation, maintenance, insurance and repair of the project. Interest is paid on a monthly basis and principal payments are paid on a semi-annual basis until termination of the lease on May 20, 2027. The rate in the lease was fixed at 5.157% through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the Fiscal Court through additional future rentals.

Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 15,878	\$ 13,972	\$ 29,850
2016	16,697	13,153	29,850
2017	17,564	12,286	29,850
2018	18,472	11,378	29,850
2019	19,430	10,420	29,850
2020-2024	113,314	35,936	149,250
2025-2027	83,177	36,223	119,400
Totals	<u>\$ 284,532</u>	<u>133,368</u>	<u>\$ 417,900</u>

On July 10, 2001, the Fiscal Court entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that AOC agrees to pay 100% of the debt service requirements. The lease does not require the Fiscal Court to make any rental payments toward the project; however, the Fiscal Court is obligated to provide operation, maintenance, insurance and repair of the project.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

D. Courthouse Renovations (Continued)

The lease is secured by a security interest in any and all right, title and interest of the County in the Courthouse that constitute personal property and in all additions, attachments, accessions, and substitutions thereto, and any proceeds there from.

E. Carver Farms Subdivision Roads

On December 22, 2005, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$79,000 at a variable interest rate in order to finance the construction of roads in the Carver Farms Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Carver Farms Subdivision. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2030.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 2,265	\$ 2,754	\$ 5,019
2016	2,408	2,658	5,066
2017	2,560	2,552	5,112
2018	2,722	2,441	5,163
2019	2,894	2,322	5,216
2020-2024	17,446	9,566	27,012
2025-2029	23,694	5,276	28,970
2030-2031	7,147	480	7,627
Totals	<u>\$ 61,136</u>	<u>\$ 28,049</u>	<u>\$ 89,185</u>

F. Creekside Subdivision Roads

On December 22, 2005, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$157,000 at a variable interest rate in order to finance the construction of roads in the Creekside Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Creekside Subdivision. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2030.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

F. Creekside Subdivision Roads (Continued)

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 3,850	\$ 3,936	\$ 7,786
2016	4,093	3,772	7,865
2017	4,351	3,593	7,944
2018	4,624	3,406	8,030
2019	4,917	3,203	8,120
2020-2024	29,654	12,541	42,195
2025-2029	37,949	5,195	43,144
Totals	<u>\$ 89,438</u>	<u>\$ 35,646</u>	<u>\$ 125,084</u>

G. Fire Truck #1

On May 2, 2007, Gallatin County Fiscal Court entered into an agreement with the United States Department of Agriculture for the purpose of assuming a loan acquired by the Gallatin County Fire Department in March 21, 2001 for a fire truck. The original principal amount was for \$239,263. The termination date of the agreement is March 21, 2021. The interest rate for the loan is fixed at 4.75%.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 17,094	\$ 6,474	\$ 23,568
2016	17,948	5,620	23,568
2017	18,781	4,787	23,568
2018	19,654	3,914	23,568
2019	20,567	3,001	23,568
2020-2021	44,044	3,092	47,136
Totals	<u>\$ 138,088</u>	<u>\$ 26,888</u>	<u>\$ 164,976</u>

H. Fire Truck #2

On May 2, 2007, Gallatin County Fiscal Court entered into an agreement with the United States Department of Agriculture for the purpose of assuming a loan acquired by the Gallatin County Fire Department in March 21, 2001 for a fire truck. The original principal amount was \$136,161. The termination date of the agreement is March 21, 2021. The interest rate for the loan is fixed at 5.0%. The remaining principal of \$88,494 was paid off during the fiscal year.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

I. Scenic View Road

On September 4, 2007, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$138,283 at a variable rate of interest in order to finance the construction of roads in Scenic View subdivision so that they may be part of the County road system. Payments of this debt are to be made by the property owners located in the Scenic View Subdivision. Payments are collected by Gallatin County and distributed to the Kentucky Association of Leasing Trust (KACoLT) in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on September 20, 2032.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 3,623	\$ 5,144	\$ 8,767
2016	3,852	4,991	8,843
2017	4,095	4,822	8,917
2018	4,354	4,643	8,997
2019	4,632	4,449	9,081
2020-2024	27,910	19,001	46,911
2025-2029	37,897	12,138	50,035
2030-2033	31,637	3,077	34,714
Totals	<u>\$ 118,000</u>	<u>\$ 58,265</u>	<u>\$ 176,265</u>

J. Ambulance

On November 29, 2010, Gallatin County Fiscal Court entered into an agreement with Kansas State Bank for the purpose of securing a loan to purchase an ambulance. The original principal amount was \$84,788. The loan is for four years with payments of \$13,211 for principal and interest due on May 31 and November 30 of each year through November 30, 2013. The interest rate for the loan is fixed at 4.3%. The remaining principal of \$12,826 was paid off during the fiscal year.

K. Hillendale Road

On November 30, 2012, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$85,000 at a variable rate of interest in order to finance the construction of roads in Hillendale subdivision so that they may be part of the County road system. Payments of this debt are to be made by the property owners located in the Hillendale Subdivision. Payments are collected by Gallatin County and distributed to the Kentucky Association of Leasing Trust (KACoLT) in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2032.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

K. Hillendale Road (Continued)

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$	\$ 2,818	\$ 2,818
2016	2,500	2,818	5,318
2017	5,000	2,761	7,761
2018	5,000	2,649	7,649
2019	5,000	2,536	7,536
2020-2024	25,000	10,946	35,946
2025-2029	25,000	7,519	32,519
2030-2033	17,500	2,905	20,405
Totals	<u>\$ 85,000</u>	<u>\$ 34,952</u>	<u>\$ 119,952</u>

L. Sheriff's Vehicles

On April 28, 2011, Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a vehicle for the Sheriff's office. The original principal amount was \$26,000. The agreement requires four annual interest and principal payments of \$6,910 and the agreement is to be paid in full by June 1, 2014. The remaining principal of \$6,675 was paid off during the fiscal year.

On May 20, 2013, Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a vehicle for the Sheriff's office. The original principal amount was \$24,150. The agreement requires four annual interest and principal payments of \$6,395 and the agreement is to be paid in full by June 1, 2016.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 5,935	\$ 460	\$ 6,395
2016	6,170	224	6,394
Totals	<u>\$ 12,105</u>	<u>\$ 684</u>	<u>\$ 12,789</u>

On May 8, 2014, Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a vehicle for the Sheriff's office. The original principal amount was \$30,208. The agreement requires four annual interest and principal payments of \$7,961 and the agreement is to be paid in full by June 1, 2017.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

L. Sheriff's Vehicles (Continued)

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 7,175	\$ 786	\$ 7,961
2016	7,435	526	7,961
2017	7,703	258	7,961
Totals	<u>\$ 22,313</u>	<u>\$ 1,570</u>	<u>\$ 23,883</u>

M. Road Equipment

On May 16, 2014, Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a backhoe and roller for the road department. The original principal amount was \$98,200. The agreement requires five annual interest and principal payments of \$21,287 and the agreement is to be paid in full by September 1, 2019.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 20,154	\$ 1,133	\$ 21,287
2016	18,460	2,827	21,287
2017	19,144	2,143	21,287
2018	19,853	1,434	21,287
2019	20,589	698	21,287
Totals	<u>\$ 98,200</u>	<u>\$ 8,235</u>	<u>\$ 106,435</u>

N. 911 Recording Equipment

On July 15, 2013, Gallatin County Fiscal Court entered into an agreement with Fleetwood Leasing Equipment for the purpose of securing a loan to purchase 911 recording equipment for the dispatch. The original principal amount was \$15,191. The agreement requires five annual interest and principal payments of \$3,523 and the agreement is to be paid in full by July 15, 2018.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

N. 911 Recording Equipment (Continued)

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 2,590	\$ 933	\$ 3,523
2016	2,797	726	3,523
2017	3,020	503	3,523
2018	3,262	261	3,523
Totals	<u>\$ 11,669</u>	<u>\$ 2,423</u>	<u>\$ 14,092</u>

O. Interest Rate Swaps

Some of the Fiscal Court's leases have been fixed through the use of interest rate swaps. The interest rate swaps are exchange agreements between the trustee and a third party financial institution, whereby the third party financial institution pays the trustee the variable rate interest within the swap (which is equivalent to the variable rate within the lease) and the Fiscal Court pays the fixed rate stated by the swap. Under the terms of lease agreements the trustee has the right to charge costs associated with the interest rate swap to the Fiscal Court through additional future rentals.

The swap becomes effective on the date that the County exercises its option to convert the variable interest rate in the lease to a fixed rate. The notional amount of the swap at that exercise date is equivalent to the then outstanding principal balance. The notional amount reduces over the term of the lease by the same amount as the principal payments on the lease, as they fall due. The swap terminates on the same date as the final principal payment is due on the respective lease.

The interest rate swaps in effect as of June 30, 2014 are as follows:

	Date Effective	Termination Date	Notional Amount at June 30, 2014	Settlement Amount at June 30, 2014
Courthouse Renovations - A	June 30, 2006	December 1, 2026	\$ 1,897,096	\$ 329,618
Courthouse Renovations - B	June 28, 2007	June 1, 2027	\$ 284,532	\$ 45,325

The settlement values above are calculated using the zero-coupon rate and are considered by the Fiscal Court to represent the fair value of the interest rate swaps at June 30, 2014. The variable rate on all of the swaps is the USD-BMA Municipal Swap Index.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

O. Interest Rate Swaps (Continued)

The swaps expose the Fiscal Court to the following risks that could give rise to additional rentals:

Credit risk: Credit risk is the risk that the third party financial institution will not fulfill its obligations to pay the variable rate interest. All third party financial institutions party to the interest rate swaps have S&P credit quality ratings of AA-. The value of the transaction to the Fiscal Court depends upon the third party financial institutions maintaining their perceived creditworthiness in the municipal marketplace and fulfilling their obligations under the interest rate swap agreements. Should the third party financial institutions fail to fulfill their obligations the Fiscal Court will be required to pay additional rentals for any costs associated with terminating the swap agreement, plus the costs of entering into an interest rate swap agreement with an alternative financial institution. Should an alternative agreement not be available, the Fiscal Court would be required to make payments at the variable interest rate contained within the lease.

Basis risk: Basis risk is a term used to refer to a mismatch in the source of the variable interest rates in the lease agreement and the swap agreement. When an agency uses an interest rate swap agreement in conjunction with a variable rate debt instrument, the variable rate index used to calculate the payments due under the swap agreement (in this case, the USD-BMA Municipal Swap Index) may not match the rate at which the variable rate debt is remarketed (the interest rate on KACoLT's variable rate bonds, which is reset on a daily basis). This mismatch could potentially be magnified if KACoLT were to administer the program in such a way that the underlying bonds were determined to be taxable obligations, which would be considered an event of default according to the terms of the letter of credit agreement.

Termination risk: Termination risk is the risk that a derivative's unscheduled end will affect the Fiscal Court's asset/liability strategy or will present the Fiscal Court with potentially significant unscheduled termination payments to the trustee. For example, the Fiscal Court relies on the interest rate swaps to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that benefit would not be available. The Fiscal Court would also be required to pay any costs associated with terminating the swap agreement.

Market access risk: Market-access risk is the risk that the Fiscal Court will not be able to enter credit markets or that credit will become more costly. If the Fiscal Court is required to pay additional rentals or be required to pay higher variable rates, the Fiscal Court's credit rating could suffer and additional debt could become more expensive and more difficult to sell. The Fiscal Court may also be required to pay additional rentals for fees relating to any letters of credit being used to collateralize the interest rate swaps. Furthermore, if interest rates in the municipal bond market were to decrease and the Fiscal Court wanted to refinance the debt at a lower interest rate, the Fiscal Court would first have to terminate the swap agreement. When interest rate swap agreements are terminated prior to the contract's maturity, one party to the agreement will owe the other party a termination payment that reflects the value of the swap under current market conditions. It is likely that if rates have decreased to the extent that the Fiscal Court would want to refinance the debt, the Fiscal Court would be the party that would have to make a termination payment. The use of the interest rate swap agreement may limit the Fiscal Court's flexibility in managing the lease obligations going forward.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

P. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 3,881,123	\$ 143,599	\$ 315,923	\$ 3,708,799	\$ 234,503
Total Long-term Debt	<u>\$ 3,881,123</u>	<u>\$ 143,599</u>	<u>\$ 315,923</u>	<u>\$ 3,708,799</u>	<u>\$ 234,503</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$291,514, FY 2013 was \$304,654, and FY 2014 was \$312,166.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Employee Retirement System (Continued)

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

On July 15, 1999, the Gallatin County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2014, Gallatin County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,576,000	\$ 1,720,220	\$ 1,730,185	\$ 9,965
In Lieu Tax Payments	491,000	498,262	498,263	1
Excess Fees	3,000	177,682	177,682	
Licenses and Permits	69,000	71,305	72,835	1,530
Intergovernmental	135,350	135,350	345,054	209,704
Charges for Services	13,000	13,000	17,066	4,066
Miscellaneous	15,600	55,785	54,239	(1,546)
Interest	400	400	701	301
Total Receipts	2,303,350	2,672,004	2,896,025	224,021
DISBURSEMENTS				
General Government	851,534	1,083,170	1,063,163	20,007
Protection to Persons and Property	120,354	168,677	159,484	9,193
General Health and Sanitation	66,907	67,507	64,041	3,466
Social Services	56,460	57,306	48,261	9,045
Recreation and Culture	7,000	7,000	7,000	
Debt Service	37,211	117,425	346,275	(228,850)
Capital Projects	525,000	371,451	371,451	
Administration	877,210	1,012,076	868,730	143,346
Total Disbursements	2,541,676	2,884,612	2,928,405	(43,793)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(238,326)	(212,608)	(32,380)	180,228
Other Adjustments to Cash (Uses)				
Lease Proceeds			30,208	30,208
Transfers From Other Funds	82,878	82,878	82,878	
Transfers To Other Funds	(426,550)	(426,550)	(400,145)	26,405
Total Other Adjustments to Cash (Uses)	(343,672)	(343,672)	(287,059)	26,405
Net Change in Fund Balance	(581,998)	(556,280)	(319,439)	236,841
Fund Balance Beginning	581,998	581,998	666,198	84,200
Fund Balance - Ending	\$ 0	\$ 25,718	\$ 346,759	\$ 321,041

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 781,296	\$ 791,248	\$ 781,843	\$ (9,405)
Charges for Services	500	500	5,152	4,652
Miscellaneous	55,600	81,342	89,984	8,642
Interest	2,100	2,100	2,074	(26)
Total Receipts	839,496	875,190	879,053	3,863
DISBURSEMENTS				
Roads	873,000	714,156	810,878	(96,722)
Debt Service	55,000	88,107	81,294	6,813
Capital Projects	177,345	350,520	350,520	
Administration	75,226	72,600	68,500	4,100
Total Disbursements	1,180,571	1,225,383	1,311,192	(85,809)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(341,075)	(350,193)	(432,139)	(81,946)
Other Adjustments to Cash (Uses)				
Lease Proceeds			98,200	98,200
Transfers To Other Funds	(82,878)	(82,878)	(82,878)	
Total Other Adjustments to Cash (Uses)	(82,878)	(82,878)	15,322	98,200
Net Change in Fund Balance	(423,953)	(433,071)	(416,817)	16,254
Fund Balance Beginning	423,953	423,953	1,015,364	591,411
Fund Balance - Ending	\$ 0	\$ (9,118)	\$ 598,547	\$ 607,665

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 98,700	\$ (1,300)
Miscellaneous	500	500	6,402	5,902
Interest	20	20	13	(7)
Total Receipts	100,520	100,520	105,115	4,595
DISBURSEMENTS				
Protection to Persons and Property	440,457	440,667	373,388	67,279
Administration	29,668	29,458	22,407	7,051
Total Disbursements	470,125	470,125	395,795	74,330
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(369,605)	(369,605)	(290,680)	78,925
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	343,405	343,405	276,000	(67,405)
Total Other Adjustments to Cash (Uses)	343,405	343,405	276,000	(67,405)
Net Change in Fund Balance	(26,200)	(26,200)	(14,680)	11,520
Fund Balance Beginning	26,200	26,200	28,527	2,327
Fund Balance - Ending	\$ 0	\$ 0	\$ 13,847	\$ 13,847

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 154,528	\$ 154,528	\$ 176,006	\$ 21,478
Miscellaneous	100	10,568	11,718	1,150
Interest	20	20	71	51
Total Receipts	154,648	165,116	187,795	22,679
DISBURSEMENTS				
General Government		5,000	4,145	855
General Health and Sanitation	2,500	2,500	1,920	580
Social Services	2,000	8,610	8,153	457
Recreation and Culture	172,028	163,383	110,184	53,199
Debt Service	61,000	71,468	59,812	11,656
Administration	15,770	12,805	5,114	7,691
Total Disbursements	253,298	263,766	189,328	74,438
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	(98,650)	(98,650)	(1,533)	97,117
Net Change in Fund Balance	(98,650)	(98,650)	(1,533)	97,117
Fund Balance Beginning	98,650	98,650	162,735	64,085
Fund Balance - Ending	\$ 0	\$ 0	\$ 161,202	\$ 161,202

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

STATE GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 17,584	\$ (132,416)
Total Receipts	150,000	150,000	17,584	(132,416)
DISBURSEMENTS				
General Health and Sanitation			1,650	(1,650)
Capital Projects	150,000	150,000	15,934	134,066
Total Disbursements	150,000	150,000	17,584	132,416
Net Change in Fund Balance				
Fund Balance Beginning			23	23
Fund Balance - Ending	\$ 0	\$ 0	\$ 23	\$ 23

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000		\$ (10,000)
Charges for Services	953,000	953,000	1,081,127	128,127
Miscellaneous	100	10,100	12,513	2,413
Interest	70	70	284	214
Total Receipts	963,170	973,170	1,093,924	120,754
DISBURSEMENTS				
Protection to Persons and Property	948,800	978,985	924,565	54,420
Administration	109,000	88,815	83,521	5,294
Total Disbursements	1,057,800	1,067,800	1,008,086	59,714
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(94,630)	(94,630)	85,838	180,468
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	10,000	10,000	
Total Other Adjustments to Cash (Uses)	10,000	10,000	10,000	
Net Change in Fund Balance	(84,630)	(84,630)	95,838	180,468
Fund Balance Beginning	84,630	84,630	194,544	109,914
Fund Balance - Ending	\$ 0	\$ 0	\$ 290,382	\$ 290,382

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 1,500	\$ 1,500	\$ 1,075	\$ (425)
Total Receipts	1,500	1,500	1,075	(425)
DISBURSEMENTS				
General Government	43,000	43,000	3,362	39,638
Administration	183,500	183,500		183,500
Total Disbursements	226,500	226,500	3,362	223,138
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(225,000)	(225,000)	(2,287)	222,713
Net Change in Fund Balance	(225,000)	(225,000)	(2,287)	222,713
Fund Balance Beginning	225,000	225,000	228,908	3,908
Fund Balance - Ending	\$ 0	\$ 0	\$ 226,621	\$ 226,621

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 47,000	\$ 47,000	\$ 47,454	\$ 454
Miscellaneous	100	100	1,007	907
Interest	5	5	5	
Total Receipts	47,105	47,105	48,466	1,361
DISBURSEMENTS				
Protection to Persons and Property	198,750	219,149	231,795	(12,646)
Administration	34,500	30,701	30,510	191
Total Disbursements	233,250	249,850	262,305	(12,455)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(186,145)	(202,745)	(213,839)	(11,094)
Other Adjustments to Cash (Uses)				
Lease Proceeds			15,191	15,191
Transfers From Other Funds	183,145	183,145	193,145	10,000
Total Other Adjustments to Cash (Uses)	183,145	183,145	208,336	25,191
Net Change in Fund Balance	(3,000)	(19,600)	(5,503)	14,097
Fund Balance Beginning	3,000	3,000	12,371	9,371
Fund Balance - Ending	\$ 0	\$ (16,600)	\$ 6,868	\$ 23,468

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

911 WIRELESS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 94,000	\$ 94,000	\$ 103,452	\$ 9,452
Interest	10	10	5	(5)
Total Receipts	94,010	94,010	103,457	9,447
DISBURSEMENTS				
Protection to Persons and Property	11,000	11,000	3,757	7,243
Total Disbursements	11,000	11,000	3,757	7,243
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	83,010	83,010	99,700	16,690
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(110,000)	(110,000)	(79,000)	31,000
Total Other Adjustments to Cash (Uses)	(110,000)	(110,000)	(79,000)	31,000
Net Change in Fund Balance	(26,990)	(26,990)	20,700	47,690
Fund Balance Beginning	26,990	26,990	3,046	(23,944)
Fund Balance - Ending	\$ 0	\$ 0	\$ 23,746	\$ 23,746

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

TOURISM FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 26,000	\$ 26,000	\$ 34,935	\$ 8,935
Miscellaneous	100	100	1,330	1,230
Interest	15	15	26	11
Total Receipts	26,115	26,115	36,291	10,176
DISBURSEMENTS				
Recreation and Culture	58,380	58,380	24,267	34,113
Administration	50	50		50
Total Disbursements	58,430	58,430	24,267	34,163
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(32,315)	(32,315)	12,024	44,339
Net Change in Fund Balance	(32,315)	(32,315)	12,024	44,339
Fund Balance Beginning	32,315	32,315	56,701	24,386
Fund Balance - Ending	\$ 0	\$ 0	\$ 68,725	\$ 68,725

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

AOC FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 24,197	\$ (803)
Miscellaneous			4	4
Interest	600	600	927	327
Total Receipts	25,600	25,600	25,128	(472)
DISBURSEMENTS				
General Government	125,600	125,600	1,020	124,580
Total Disbursements	125,600	125,600	1,020	124,580
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(100,000)	(100,000)	24,108	124,108
Net Change in Fund Balance	(100,000)	(100,000)	24,108	124,108
Fund Balance Beginning	100,000	100,000	184,803	84,803
Fund Balance - Ending	\$ 0	\$ 0	\$ 208,911	\$ 208,911

GALLATIN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Disbursements Over Appropriations

Debt Service disbursements in the General Fund exceeded budgeted appropriations by \$228,850 due to Administrative Office of the Courts (AOC) lease payments.

Roads disbursements in the Road Fund exceeded budgeted appropriations by \$96,722 due to purchase of equipment through lease proceeds.

General Health and Sanitation disbursements in the State Grant Fund exceeded budgeted appropriations by \$1,650.

Protection to Persons and Property disbursements in 911 Fund exceeded budgeted appropriations by \$12,646 due to purchase of equipment through lease proceeds.

GALLATIN COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014

GALLATIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,315,000	\$	\$	\$ 1,315,000
Construction In Progress	64,154		64,154	
Buildings	4,213,635	229,053		4,442,688
Vehicles	1,630,404	117,643		1,748,047
Equipment	783,730	123,200		906,930
Infrastructure	3,636,652	434,345		4,070,997
 Total Capital Assets	 \$ 11,643,575	 \$ 904,241	 \$ 64,154	 \$12,483,662

GALLATIN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	2-40

Note 2. Prior Period Adjustments

Capital Assets was increased by \$51,657, due to errors in the prior year.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenneth McFarland, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Gallatin County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated July 7, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Gallatin County Fiscal Court's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Gallatin County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gallatin County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Gallatin County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

July 7, 2015

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM**

GALLATIN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2014**

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

GALLATIN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Gallatin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Lee McFarland", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "John Bullard", written over a horizontal line.

County Treasurer

